

Senate Bill No. 1057

Passed the Senate February 26, 2004

Secretary of the Senate

Passed the Assembly February 19, 2004

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day of
_____, 2004, at _____ o'clock __M.

Private Secretary of the Governor

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CHAPTER _____

An act to amend Section 10754 of the Revenue and Taxation Code, relating to local government finance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1057, Committee on Budget and Fiscal Review. Vehicle license fees.

The Vehicle License Fee (VLF) Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state in the amount of 2% of the market value of that vehicle, as specified. The VLF Law offsets this amount by 67.5% for vehicle license fees with a final due date on or after July 1, 2001. Existing law requires the Controller, upon receipt of monthly notification from the Department of Motor Vehicles, to transfer, into the Motor Vehicle License Fee Account in the Transportation Tax Fund and into the Local Revenue Fund, an amount equal to those amounts necessary to reimburse local governments for losses resulting from the VLF offset. Existing law limits the amount of moneys available for reimbursement to local governments during the 2003–04 fiscal year to \$1,000.

Existing law also requires the VLF offset to be proportionately reduced within 90 days of a finding that there are insufficient moneys available to be transferred from the General Fund to fully fund the vehicle license fee offset. The vehicle license fee offset was scheduled to be reduced to zero for the period beginning on and after October 1, 2003, based on a finding made during the 2002–03 fiscal year that insufficient moneys were available to fund the vehicle license fee offset. On November 17, 2003, that finding of insufficient moneys available to fully fund the vehicle license fee offset was rescinded by executive order.

Existing law requires the Controller, no later than August 15, 2006, to transfer, into the Motor Vehicle License Fee Account in the Transportation Tax Fund, an amount equal to moneys that were not transferred into that account to reimburse local governments for the losses during the 2003–04 fiscal year after the finding that



insufficient moneys were available to be transferred from the General Fund to fully fund the vehicle license fee offset. Existing law requires moneys that are later transferred to be allocated from that account in the manner otherwise specified by law. Existing law also authorizes the Controller, with the approval of the Department of Finance, to advance to any county or city that entity's share of the vehicle license fee revenues that would otherwise be transferred no later than August 15, 2006, if that entity is able to demonstrate that it will experience a hardship, as defined, if the advance is not made.

This bill would instead require the Controller to make the transfer into the Motor Vehicle License Fee Account in the Transportation Tax Fund on August 15, 2006, and would specify that the transfer equal an amount that would have been transferred into the Local Revenue Fund, but for the operation of a specified limitation in the 2003–04 Budget Act. This bill would authorize the Controller to make that transfer prior to August 15, 2006, only if authorized by the Legislature. This bill would appropriate the amount of \$20,365,000 from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund for the purpose of funding advances to any county or city that is able to demonstrate that it will experience a hardship if that advance is not made.

This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 10754 of the Revenue and Taxation Code is amended to read:

10754. (a) Notwithstanding any other provision of law, the total amount of the vehicle license fee otherwise required with respect to a vehicle shall be offset in accordance with those provisions set forth below that are operative pursuant to subdivision (b):

(1) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of



registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 25 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(2) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 35 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by



multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(3) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to $67\frac{1}{2}$ percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction in funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(D) (i) The Controller shall on August 15, 2006, transfer from the General Fund to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund amounts equal to the total amount of offsets that were applied to new vehicle registrations before October 1, 2003, and that were applied to vehicle license fees with a due date before October 1, 2003, that were not transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund and into the Local Revenue Fund due to the operation of Item 9100-102-0001 of Section 2.00 of the Budget Act of 2003. The amount of this transfer shall include transfers not made for offsets applied on or after June 20, 2003. The transferred moneys shall be allocated from the Motor Vehicle License Fee



Account in the Transportation Tax Fund in the manner as otherwise specified by law for the allocation of moneys from that account. The Controller may make the transfer required by this subparagraph prior to August 15, 2006, if that transfer is authorized by the Legislature.

(ii) The Controller, with the approval of the Department of Finance, may advance from the Motor Vehicle License Fee Account in the Transportation Tax Fund to any county or city that entity's share of the vehicle license fee revenues that are required to be transferred under clause (i), if that entity demonstrates that it will experience a hardship if the advance is not made. For purposes of this clause, those circumstances demonstrating that a county or city will experience a "hardship," include, but are not limited to, the following:

(I) A county or city that has pledged its share of vehicle license fee revenues as security for any indebtedness that, as a result of the delay of the disbursement, will compromise its ability to repay that indebtedness.

(II) A county's or city's share of vehicle license fee revenues, as determined by the Controller, exceeds 37 percent of that entity's general revenue. In the case of a county, the Controller shall make the required calculation of that entity's general revenue based on information derived from the State of California Counties Annual Report for the 2000–01 fiscal year. In the case of a city, the Controller shall make the required calculation based on information derived from the State of California Cities Annual Report for the 2000–01 fiscal year.

(III) A city that is newly incorporated that is entitled to the allocations of vehicle license fee revenues authorized by Section 11005.3.

(iii) The sum of twenty million three hundred sixty-five thousand dollars (\$20,365,000) is hereby appropriated from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund for the purposes of making the advances authorized by clause (ii).

(iv) For purposes of Section 15 of Article XI of the California Constitution, the transfers required to be made by this subparagraph shall constitute successor taxes that are otherwise required to be allocated to counties and cities, and as successor taxes, the obligation to make those transfers as required by this



subparagraph may not be extinguished nor disregarded in any manner that adversely affects the security of, or the ability of, a county or city to pay the principal and interest on any debts or obligations that were funded or secured by that city's or county's allocated share of motor vehicle license fee revenues.

(b) The offset provisions set forth in subdivision (a) shall be operative as provided by the following:

(1) Paragraph (1) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 1999.

(2) Paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date on or after January 1, 2000, and before July 1, 2001.

(3) Paragraph (3) of subdivision (a) shall be operative for vehicle license fees with a final due date on or after July 1, 2001.

(c) (1) For purposes of this section, "department" means the Department of Motor Vehicles with respect to a vehicle license fee offset for a vehicle subject to registration under the Vehicle Code, and the Department of Housing and Community Development with respect to a vehicle license fee offset for a manufactured home, mobilehome, or commercial coach described in Section 18115 of the Health and Safety Code.

(2) For purposes of this section, the "final due date" for a license fee is the last date upon which that fee may be paid without being delinquent.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to timely guarantee the proper reimbursement of local governments for the revenue losses associated with the vehicle license fee offset, it is necessary that this act take immediate effect.



Approved _____, 2004

Governor

